

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Ottawa County Central Dispatch Authority	County Ottawa
Audit Date 12/31/05	Opinion Date 3/23/06	Date Accountant Report Submitted to State: 5/30/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

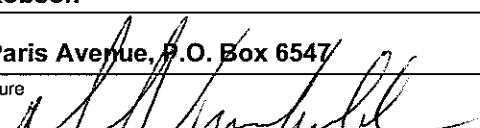
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 2330 East Paris Avenue, P.O. Box 6547		City Grand Rapids	State MI
Accountant Signature 		ZIP 49516	Date 5/30/06

**OTTAWA COUNTY CENTRAL
DISPATCH AUTHORITY
(a Component Unit of Ottawa County)**

Grand Haven, Michigan

FINANCIAL STATEMENTS

For the Year Ended December 31, 2005

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

March 23, 2006

Board Members
Ottawa County Central Dispatch Authority
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Ottawa County Central Dispatch Authority, a component unit of Ottawa County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Ottawa County Central Dispatch Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Ottawa County Central Dispatch Authority as of December 31, 2005, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Management's Discussion and Analysis

As management of the Ottawa County Central Dispatch Authority (the "OCCDA"), we offer readers of the Ottawa County Central Dispatch Authority financial statements this narrative overview and analysis of the financial activities of this Component Unit of Ottawa County, Michigan, for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

1. GASB 34 financial statement presentation

This year's financial statements and accompanying notes follow the direction of the Governmental Accounting Standards Board (GASB) from their Statement No. 34. GASB is charged with developing "generally accepted accounting principles" (GAAP) for governmental entities and is the ultimate authority on GAAP for state and local governments.

2. Major asset purchases included a telecommunications "command post" for \$29,675, a New World "message switch" in the amount of \$16,699, computers and software in the amount of \$20,101, and chairs in the amount of \$2,842.

3. Major debt payments include the 2002 Mobile Communication System installment purchase agreements.

4. Staffing

Positions Filled	January 1, 2005	December 31, 2005
Director	1	1
Deputy Director	1	1
Secretary	1	1
Records Supervisor	1	1
MSAG Records Technician		1
Training Supervisor		1
MIS Manager	1	1
Radio/Data Systems Manager	1	1
Dispatch Supervisors	5	6
Dispatchers	19	19
Call Takers	3	4
Total Full Time Staff	33	37
Permanent Part Time Dispatchers	2	4

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the OCCDA financial statements. The OCCDA's basic financial statements comprise three components:

1. Government-wide statements
2. Fund financial statements, and
3. Notes to the financial statements.

To simplify financial reporting and improve readability, the government-wide financial statements and the fund statements have been combined to report the statement of net assets and general fund balance sheet on a single page and the statement of activities and general fund revenues, expenditures and changes in fund balance on a single page. This report also contains other supplementary information in addition to the basic financial statements themselves.

Note that Ottawa County government wide financial statements are not herein presented because the OCCDA is a component unit of the County. The County presents their financial statements elsewhere and in a manner partially resembling private-sector business in its government-wide financial statements in compliance with GASB Statement No. 34.

Government-wide Statements

The statement of net assets presents information on all of the OCCDA's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the OCCDA is improving or deteriorating.

The statement of activities presents information showing how the OCCDA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

Both of the component unit financial statements distinguish the function of the OCCDA, which is principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the OCCDA include providing a centralized emergency dispatch system within Ottawa County and selected parts of Allegan and Muskegon Counties.

The government-wide financial statements include only the OCCDA itself (known as the *primary government*).

The OCCDA has no legally separate component units for which the OCCDA is financially accountable. In this report, financial information for the OCCDA is reported separately from the financial information presented for Ottawa County, which reports the OCCDA as a component unit.

The government-wide financial statements can be found on pages 8 and 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The OCCDA, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the OCCDA is accounted for in a governmental fund (General Fund).

Governmental funds. *Governmental funds* (General Fund) are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, general fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the general fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the general fund with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the general fund balance sheet and the general fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the general fund and *governmental activities*.

The OCCDA maintains one governmental fund (the General Fund). Information is presented in the general fund balance sheet and in the general fund statement of revenues, expenditures, and changes in fund balances for the OCCDA. The general fund is a major fund for financial reporting purposes as defined by GASB Statement 34.

The OCCDA adopts an annual appropriated budget for its fund. Budgetary comparison statements have been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 8 and 10 of this report.

The OCCDA does not maintain proprietary nor fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the OCCDA's financial statements. The notes to the financial statements can be found on pages 13 through 20 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

The OCCDA's Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the OCCDA, assets exceeded liabilities by \$8,038,031 at the close of the most recent fiscal year, December 31, 2005.

By far, the largest portion of net assets for the OCCDA is unrestricted and available for OCCDA activity. The bulk of the remaining portion of the OCCDA net assets reflects its investment in capital assets (primarily telecommunication, computer and office equipment), less any related debt that is still outstanding. The OCCDA uses these capital assets to provide emergency dispatch services to Ottawa, Muskegon and Allegan Counties' local government emergency services divisions and ultimately to citizens; consequently, these assets are *not* available for future spending. Although the OCCDA investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Ottawa County Central Dispatch Authority Net Assets

Governmental Activities	December 31, 2004	December 31, 2005
Current and other assets	\$4,846,832	\$6,112,913
Capital assets	3,070,867	2,406,196
Total assets	7,917,699	8,519,109
Long-term liabilities outstanding	675,625	345,082
Other liabilities	154,030	135,996
Total liabilities	829,655	481,078
Net assets:		
Invested in capital assets, net of related debt	2,395,242	2,061,114
Restricted	10,754	4,508
Unrestricted	4,682,048	5,972,409
Total net assets	\$7,088,044	\$8,038,031

Ottawa County Central Dispatch Authority Changes in Net Assets

Governmental Activities	December 31, 2004	December 31, 2005
Revenue:		
Program revenue:		
Charges for services	\$ 2,685	\$ 4,567
Operating grants and contributions	3,600,561	3,847,646
Capital grants and contributions	420,804	417,750
General revenue:		
Interest earned	57,774	177,715
Total revenue	4,081,824	4,447,678
Expenses:		
Public safety	3,291,788	3,477,831
Interest expense	41,056	19,860
Total expenses	3,332,844	3,497,691
Increase (decrease) in net assets	748,980	949,987
Net assets – beginning of year	6,339,064	7,088,044
Net assets – end of year	\$7,088,044	\$8,038,031

Governmental activities

The overall financial position of the OCCDA remains strong. Debt payments on the 2002 Mobile Communications System installment purchase agreements continued as well.

Because the OCCDA receives the bulk of its income in a transfer of authorized millage from Ottawa County (less Ottawa County Building Authority bond payment amounts) in April or May of each year, the OCCDA holds a strong cash position at year-end to carry operational costs through the date of the spring revenue receipt. Also, timing of the payment on some of the annual installment purchase contracts was made to coincide with this revenue receipt timing.

Unused operating funds are placed into equipment purchase and replacement reserves by OCCDA Board action to support future equipment costs.

Expenses and Revenues - Governmental Funds

The primary focus of the OCCDA is providing dispatch services for all of Ottawa County and local unit emergency services departments including certain locations within Allegan and Muskegon Counties. Actual costs are shown below:

	<u>2004</u>	<u>2005</u>
Personnel services	\$1,938,969	\$2,073,830
Supplies	57,316	48,304
Other	<u>562,286</u>	<u>617,237</u>
Total cost of operations	<u>\$2,558,571</u>	<u>\$2,739,371</u>

Cost increases were due to personnel additions, wage and benefits adjustments and service contracts. Debt service reduced due to completion of payments on a three-year mobile communications system installment. The second purchase will be paid in full in 2006.

Revenues by Source - Governmental Activities

Much of this increased funding was provided by increased millage revenue (Ottawa County contribution) from \$3,135,533 in FY 2004 to \$3,302,574 in FY 2005.

	<u>2004</u>	<u>2005</u>
Intergovernmental revenue	\$4,021,365	\$4,265,396
Interest on investments	57,774	177,715
Charges for services	<u>2,685</u>	<u>4,567</u>
Totals	<u>\$4,081,824</u>	<u>\$4,447,678</u>

These revenue resources are constrained for the operation, maintenance and capital needs of the OCCDA and may not be utilized for other purposes as defined by the resource documentation. Further, millage revenue from Allegan County is to be used specifically for purchases of capital equipment or debt service for the same by contract.

Financial Analysis of the OCCDA's Fund

As noted earlier, the OCCDA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the OCCDA *general fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the OCCDA's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Capital Asset and Debt Administration

Ottawa County Central Dispatch Authority Capital Assets (net of depreciation)

Governmental Activities	December 31, 2004	December 31, 2005
Furniture fixtures and equipment	\$6,537,516	\$6,047,653
Leasehold improvements	11,920	11,920
Accumulated depreciation	(3,478,569)	(3,653,377)
Total	\$3,070,867	\$2,406,196

Additional information on the OCCDA capital assets can be found in Note 3 on page 17 of this report.

Long-term Debt

Ottawa County Central Dispatch Authority Outstanding Debt

	December 31, 2004	December 31, 2005
Lease purchase (outstanding principal)	\$675,625	\$345,082

The OCCDA has not been separately rated by any bond-rating agency.

Additional information on the OCCDA long-term debt can be found in Note 7 on page 20 of this report.

Economic Factors and Next Year's Budgets and Rates

The economic downturn of recent years has brightened somewhat. Investment income for OCCDA increased by \$119,941 over the prior year (\$177,715 in fiscal year 2005, and \$57,774 in fiscal year 2004). The rates for the 2002 installment purchase agreements were very favorable due to their short terms (three and five years). OCCDA continues to enjoy this low interest cost on the outstanding balance of the five-year installment purchase agreement. Operationally, the OCCDA saw little change from the prior year except for the increase in services provided through the increase in staff salaries and benefits.

The next year continues the strong fiscal position of the OCCDA. Population and real estate investment growth in the OCCDA's service area are resulting in greater property valuation for increased millage based revenue. State agreements and legislation to provide funding for OCCDA needs are being upheld and contractual agreements give all appearances that they will be met.

Requests for Information

This financial report is designed to provide a general overview of OCCDA finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Timothy Smith, Director, Ottawa County Central Dispatch Authority, 15 N. Sixth St., Grand Haven MI, 49417.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

STATEMENT OF NET ASSETS AND GENERAL FUND BALANCE SHEET

DECEMBER 31, 2005

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 5,820,784	\$ -	\$ 5,820,784
Prepaid items	156,966	-	156,966
Due from other governmental units	135,163	-	135,163
Capital assets, net of accumulated depreciation	-	2,406,196	2,406,196
Total assets	<u>\$ 6,112,913</u>	<u>2,406,196</u>	<u>8,519,109</u>
Liabilities			
Accounts payable	\$ 77,580	-	77,580
Compensated absences	-	49,429	49,429
Accrued interest payable	-	8,987	8,987
Long-term liabilities			
Due within one year	-	345,082	345,082
Total liabilities	<u>77,580</u>	<u>403,498</u>	<u>481,078</u>
Fund balances/net assets			
Fund balance			
Reserved			
Prepaid items	156,966	(156,966)	-
Training	4,508	(4,508)	-
Unreserved			
Designated for:			
Infrastructure repair and maintenance	1,500,000	(1,500,000)	-
Equipment replacement	3,733,365	(3,733,365)	-
Operating contingency	640,494	(640,494)	-
Total fund balances	<u>6,035,333</u>	<u>(6,035,333)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 6,112,913</u>		
Net Assets			
Investment in capital assets, net			
of related debt		2,061,114	2,061,114
Restricted for training		4,508	4,508
Unrestricted		5,972,409	5,972,409
Total net assets		<u>\$ 8,038,031</u>	<u>\$ 8,038,031</u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

**Reconciliation of General Fund Balance Sheet
to Statement of Net Assets**

DECEMBER 31, 2005

Fund balances - General Fund	\$6,035,333
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - equipment and buildings (net)	2,406,196
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Certain liabilities, such as leases payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - Compensated absences	(49,429)
Deduct - Interest payable on lease obligations	(8,987)
Deduct - Lease payable	<u>(345,082)</u>

Net assets of governmental activities	<u><u>\$8,038,031</u></u>
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The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

**STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE**

YEAR ENDED DECEMBER 31, 2005

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Public safety	\$ 2,739,371	\$ 738,460	\$ 3,477,831
Capital outlay	69,521	(69,521)	-
Debt service			
Principal	330,543	(330,543)	-
Interest expense	28,199	(8,339)	19,860
Total expenditures/expenses	<u>3,167,634</u>	<u>330,057</u>	<u>3,497,691</u>
Program revenues			
Charges for services	4,567	-	4,567
Operating grants and contributions	3,847,646	-	3,847,646
Capital grants and contributions	417,750	-	417,750
Total program revenue	<u>4,269,963</u>	<u>-</u>	<u>4,269,963</u>
Net program revenue			772,272
General revenue			
Interest earned	<u>177,715</u>	<u>-</u>	<u>177,715</u>
Net change in fund balance	1,280,044	(1,280,044)	
Change in net assets		949,987	949,987
Fund balance/net assets			
Beginning of year, as restated	<u>4,755,289</u>	<u>2,332,755</u>	<u>7,088,044</u>
End of year	<u><u>\$ 6,035,333</u></u>	<u><u>\$ 2,002,698</u></u>	<u><u>\$ 8,038,031</u></u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

**Reconciliation of the General Fund Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities**

YEAR ENDED DECEMBER 31, 2005

Net change in fund balances - General Fund	\$ 1,280,044
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capitalized expenses	58,157
Deduct - depreciation expense	(722,828)

Principal payments on debt are recorded as expenditures in the governmental funds while principal payments on the government-wide statements are recorded as a reduction of a liability.

Add - principal payments on lease purchase	330,543
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in compensated absences	(4,268)
Add - decrease in interest payable	8,339

Change in net assets of governmental activities	<u>\$ 949,987</u>
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The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenue				
Intergovernmental revenues	\$ 4,179,810	\$ 4,161,800	\$ 4,265,396	\$ 103,596
Interest on investments	70,000	80,000	177,715	97,715
Charges for services	1,000	1,000	4,567	3,567
Total revenue	4,250,810	4,242,800	4,447,678	204,878
Expenditures				
Current				
Personnel services	2,236,450	2,164,630	2,073,830	90,800
Supplies	120,000	100,100	48,304	51,796
Other services and charges	673,000	699,210	617,237	81,973
Capital outlay	100,000	100,000	69,521	30,479
Debt service				
Principal	330,545	330,545	330,543	2
Interest	28,185	28,200	28,199	1
Total expenditures	3,488,180	3,422,685	3,167,634	255,051
Net change in fund balance	762,630	820,115	1,280,044	459,929
Fund balance, beginning of year, as restated	4,755,289	4,755,289	4,755,289	-
Fund balance, end of year	\$ 5,517,919	\$ 5,575,404	\$ 6,035,333	\$ 459,929

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY

(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ottawa County Central Dispatch Authority (the "Authority") conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

Reporting Entity

The Ottawa County Central Dispatch Authority (the "Authority") is a discretely presented component unit of Ottawa County, Michigan, and is an autonomous board, established by a cooperative intergovernmental agreement, formed to administer the public safety dispatching system in Ottawa County (the "County").

The Dispatch system was constructed by the Ottawa County Building Authority (the "Building Authority"). On March 22, 1990, the Building Authority issued \$4,420,000 of Building Authority bonds to finance the construction of the system. The County leases the system from the Building Authority. The responsibility of the Authority is limited to operation of the system.

On August 8, 1989, Ottawa County residents voted a twenty-year millage at a maximum rate of .5 mills to fund the County's lease obligation to the Building Authority and the costs of operating the system. The millage is levied by the County and transferred to the Authority. Start-up costs were funded by contributions from local units of government.

The financial statements of the Authority are included in Ottawa County's basic financial statements as a discretely presented component unit.

Basis of Presentation

Financial activities of the Authority are reported in one governmental fund, the general fund, which is used to account for all financial transactions including all financial resources and general operating expenditures.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. Governmental activities are supported by charges for services and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY

(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

A combined financial statement is provided for the general fund balance sheet and the statement of net assets, and the general fund revenues, expenditures and changes in fund balance and the statement of activities. The general fund is considered to be a major fund for financial reporting purposes.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (statement of net assets and the statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund (general fund) financial statements (general fund balance sheet and general fund revenues, expenditures and changes in fund balance) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

Charges for services, grant revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits as well as short-term investments with an original maturity of three months or less and are carried at fair value.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (general fund balance sheet and statement of general fund revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund (general fund) column.

Depreciation is recorded over the estimated useful lives (ranging from five years for furniture, fixtures and equipment to fifty years for leasehold improvements) of the assets, using the straight-line method for all capital assets.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

Compensated Absences

Substantially all Authority employees are granted vacation and sick leave in varying amounts based on length of service. Vacation pay is fully vested when earned. Employees are granted varying amounts of sick days annually and may accumulate up to a maximum of 20 days. Unused sick leave accumulated under the current plan is forfeited upon termination or retirement. All employees are covered under short and long-term disability benefits if an illness lasts longer than 15 working days or six months, respectively.

Compensated absences in total are recorded in the government-wide statements for employees of the Governmental Fund. No portion of the liability is reported on the balance sheet of the Governmental Fund.

Changes in compensated absences for the year are as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Compensated absences	<u>\$45,161</u>	<u>\$4,268</u>	<u>\$ -</u>	<u>\$49,429</u>

Reserved and Designated Fund Balances

In the fund financial statements, the general fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Restricted resources are utilized first to fund appropriations for allowable costs.

The Board of the Authority has formally designated 15% of budgeted revenues as an operating contingency, with the remaining unreserved fund balance being designated for future spending related to replacement of equipment and \$1,500,000 for infrastructure repair and maintenance. Although these amounts are not legally restricted, they represent current intentions of the Board.

Budgetary Process

The Authority is under formal budgetary control. Formal budget integration is employed as a management control device during the year. The Authority's budget is adopted by the Ottawa County Central Dispatch Authority Board in accordance with Public Act 621, the Michigan Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The budget, as presented in the accompanying statement of revenues, expenditures, and changes in fund balance (budget and actual) was prepared on the modified accrual basis of accounting.

Budgetary control over expenditures is maintained on a whole fund basis. A separate budgetary report is prepared which demonstrates compliance at the legal level of control. Expenditures may not legally exceed budgeted amounts. All budget appropriations lapse at the end of each fiscal year unless specific Board action is taken.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority's cash and cash equivalents included on the statement of net assets and balance sheet are classified as follows:

Bank deposits	\$2,918,992
Mutual funds	<u>2,901,792</u>
	<u>\$5,820,784</u>

These deposits are in one (1) financial institution located in Michigan. All accounts are in the name of the Authority. They are recorded in the Authority's records at fair value.

The Authority chooses to disclose investments by specifically identifying each:

Fifth Third Local Units of Governmental Money Market	\$ 532,096
MBIA CLASS Investment Pool	<u>2,369,696</u>
Total investments	<u>\$2,901,792</u>

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. The Authority participates in two investment pools for which investment ratings are not available.

Custodial credit risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of year-end, \$2,823,361 of the Authority's bank balance of \$2,923,361 was exposed to credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Custodial credit risk for the above investments cannot be determined because Authority investments in the above mutual fund/pool are not specifically identifiable.

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NOTES TO FINANCIAL STATEMENTS

Statutory Authority

The Board is authorized by the governing body to invest surplus funds, in the following:

- Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- Banker's acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through 12/31/97.

3. CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended December 31, 2005:

	Beginning of Year	Additions	Retirements	End of Year
Leasehold improvements	\$ 11,920	\$ -	\$ -	\$ 11,920
Furniture, fixtures and equipment	6,537,516	58,157	(548,020)	6,047,653
Total	6,549,436	58,157	(548,020)	6,059,573
Less accumulated depreciation	3,478,569	722,828	548,020	3,653,377
Total capital assets, net	<u>\$3,070,867</u>	<u>\$ (664,671)</u>	<u>\$ -</u>	<u>\$2,406,196</u>

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

4. RELATED PARTY TRANSACTIONS

Ottawa County collects taxes related to a .4411 mill property tax and transfers the tax revenue (operating grant) to the Authority. At December 31, 2005, Ottawa County's basic financial statements included taxes receivable of \$3,560,143 relating to such property tax, which was levied for use in 2006.

During the year ended December 31, 2005, Ottawa County provided operating grants of \$3,302,574 to the Authority. Allegan County provided operating grants of \$221,616 and capital grants of \$417,750 for services provided to City of Holland residents residing in Allegan County; due from other governmental units at year end includes \$55,404 which is receivable from Allegan County and \$79,759 which is receivable from Ottawa County.

5. PENSION PLANS

Defined Benefit Pension Plan

Plan Description – The Ottawa County Central Dispatch Authority's (the Authority) defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Employees hired before January 1, 2000 who work 30 or more hours per week are eligible to participate in the plan. The Authority participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy – The Authority is required to contribute at an actuarially determined rate. The current rate ranges from 2.50% to 10.12% as a percentage of covered payroll and varies by participating division. Employees currently do not contribute to the Plan. The contribution requirements of the Authority are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Authority, depending on the MERS contribution program adopted by the Authority.

Annual Pension Cost – For the year ended December 31, 2005, the Authority's annual pension expense of \$59,077 for MERS was equal to the Authority's actual and required contribution. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The Authority's unfunded actuarial accrued liability, is being amortized over a period of 30 years. The remaining amortization period at December 31, 2004, the date of the latest actuarial valuation, was 30 years.

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NOTES TO FINANCIAL STATEMENTS

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/03	\$61,766	100%	\$ -
12/31/04	50,231	100%	-
12/31/05	59,077	100%	-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Fund Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/02	\$867,934	\$896,328	\$28,394	97%	\$705,310	4%
12/31/03	1,019,059	1,163,869	144,810	88%	635,846	23%
12/31/04	1,165,248	1,285,826	120,578	91%	625,571	19%

Defined Contribution Plan

The Authority's defined contribution pension plan provides pension benefits for employees hired after January 1, 2000 who work 30 or more hours per week and those hired before January 1, 2000 electing participation in the defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon employment. The Authority contributes 2% of each participant's base salary to the plan. The Authority also matches employee contributions up to a total Authority contribution of 5%. Employees are required to contribute a minimum of 2% of base pay to the plan. The Authority's contributions are vested 100% upon hire. The plan provisions and contribution amounts were established by the Authority Board and may be amended by the Authority Board. The plan is administered by MERS and the ICMA.

The Authority and member contributions were \$35,181 for the year ended December 31, 2005. Employer and plan member contributions are recognized in the period that the contributions are due. Plan investments are excluded from this report as the fiduciary responsibility rests with MERS and the ICMA.

6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries, as well as medical benefits provided to employees. The Authority has purchased commercial insurance for the above risks of loss. Settled claims have not exceeded insurance coverage for the last three years.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

7. CAPITAL LEASES

The Authority has entered into a lease purchase agreement for the purchase and installation of a mobile data system. The agreement provided financing of \$3,200,000 for this project. As of December 31, 2005 capital assets of approximately \$2,300,000 were included on the statement of net assets, which were financed through this lease agreement. Terms for this agreement include annual payments ranging from \$330,543 to \$929,901, including interest at 4.07% through 2006.

Changes in debt for the year are as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>	<u>Due in One Year</u>
Lease payable	<u>\$675,625</u>	<u>\$ -</u>	<u>\$330,543</u>	<u>\$345,082</u>	<u>\$345,082</u>

Future minimum lease payments under this lease purchase agreement are as follows:

	<u>Principal</u>	<u>Interest</u>
2006	<u>\$345,082</u>	<u>\$14,139</u>

8. RESTATEMENT

Beginning fund balance of the general fund was increased by \$45,161 to remove the balance of compensated absences payable from the prior year fund financial statements. This change was made to reflect the requirements of GASB interpretation No. 6.

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